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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions met with members of the Audit Operations Committee of the Board of Auditors in September 1991 and discussed with them the following financial reports and audited financial statements for the biennium ended 31 December 1991, submitted by the Board to the General Assembly at its forty-seventh session: the United Nations, 1/ the International Trade Centre (ITC), 2/ the United Nations University (UNU), 3/ the United Nations Children's Fund (UNICEF), 4/ the United Nations Development Programme (UNDP), 5/ the United Nations Population Fund (UNFPA), 6/ the Fund of the United Nations Environment Programme (UNEP), 7/ and the United Nations Habitat and Human Settlements Foundation. 8/

2. In addition, the Advisory Committee examined the Board's reports on the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR), 9/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), 10/ and the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 1991. 11/

3. The Advisory Committee's observations and comments on the report of the Board of Auditors on the United Nations Joint Staff Pension Fund for the year ended 31 December 1991 12/ will be submitted separately to the General Assembly at its forty-seventh session in a report that will include the Committee's recommendations on the report of the United Nations Joint Staff Pension Board.

4. The Advisory Committee also had before it a note by the Secretary-General (A/47/315), transmitting the summary of the principal findings and conclusions

for remedial action, prepared by the Board of Auditors in accordance with General Assembly resolution 46/183 of 20 December 1991.

5. The Committee also took note of reports by the Administrator of UNDP and the Executive Director of UNFPA on the implementation of recommendations of the Board of Auditors (DP/1992/41 and DP/1992/33).

6. The Advisory Committee exchanged views with members of the Audit Operations Committee on the format and content of audit reports submitted to the General Assembly. In this connection, the Advisory Committee was informed that it is the intention of the Board of Auditors to review the format of its report. The Committee trusts that the views expressed during the discussions with the Audit Operations Committee on this subject will be taken into account. It is the Advisory Committee's opinion that the Board of Auditors should continue to be fully responsible for deciding the format and content of its report; the Committee therefore cautions against the tendency to give too many instructions to the Board concerning the structure, format and presentation of its report.

7. On a related question of presentation, it is the understanding of the Advisory Committee that the Board's suggestion would be to include the liquidity position of each agency and programme in the future financial report and accounts as submitted for audit by the respective administrations. The Board would then carry out the audit of the liquidity situation and report as requested by the General Assembly. The Advisory Committee believes that this procedure would, to some extent, streamline the audit reports.

United Nations

8. In paragraph 78 of the report of the Board of Auditors, the Board reported on the question of expenditures exceeding appropriations. In this connection, the Advisory Committee recalls that, at its forty-sixth session, the General Assembly, by its resolution 46/184 C of 20 December 1991, approved appropriations in a total net amount of $1,767,318,300. In the same resolution, the Assembly provided that a net amount of up to $13,867,100 may be committed for the biennium with the prior concurrence of the Advisory Committee.

9. In the report on the budget performance for 1990-1991, the Secretary-General reported to the Advisory Committee that an amount of $11,971,200 over and above the net approved appropriation of $1,767,318,300 had been committed without the Committee's prior concurrence. However, included in the projected final expenditure was an amount of some $55.8 million in unliquidated obligations.

10. The Advisory Committee, in the course of its consideration of past proposed programme budgets, has noted that up to 20 per cent of unliquidated obligations are normally surrendered; therefore, the Committee did not give its ex post facto approval for the additional appropriation. However, the

Committee informed the Secretary-General that it would review the necessity for an additional appropriation and subsequent assessment in the light of an updated report to be provided by December 1992 on the status of unliquidated obligations for 1990-1991.

11. On the question of the management of the allotment system, the Advisory Committee notes that the Board has once again identified the continuing problem of expenditures exceeding allotments (para. 79). Upon inquiry, the Committee was also informed that the Board did not have the opportunity to verify the explanation given by the Administration (para. 80). The Advisory Committee recalls its comments in this connection submitted to the General Assembly at its forty-fourth and forty-fifth sessions (A/44/543, para. 16, and A/45/570 and Corr.1, para. 12). The Committee notes that this problem persists in spite of the Board's recommendations and the Administration's promised efforts, as outlined in past audit reports and in annex I of the current audit report. The Committee recommends that serious efforts should be made to evaluate thoroughly the present allotments system, with a view to establishing a system that is effective in monitoring expenditures in a way that should take fully into account the needs of programme implementation.

12. In paragraphs 87 and 88, the Board reported on the inadequacy of financial records with specific reference to the United Nations Interregional Crime and Justice Research Institute (UNICRI). The Advisory Committee agrees with the Board's recommendations in this regard and, while noting the Administration's response to provide training assistance to UNICRI for proper maintenance of accounts, agrees with the Board's recommendation that additional assistance on budgetary procedures and on other administrative matters should also be provided.

13. Management of cash resources is discussed in paragraphs 92 to 98 of the report of the Board. The Advisory Committee notes the Administration's comment that with the implementation of the IMIS, more accurate data on disbursements will be obtained and will enable a greater proportion of funds to be invested in time deposits. The Advisory Committee trusts that with the assistance of the integrated management information system (IMIS), the Administration will be able to forecast more accurately immediate cash requirements in order to maximize investment returns on surplus funds.

14. With regard to the question of advances to UNITAR totalling $10,040,882 from the United Nations, the Advisory Committee recalls that it has commented on this issue in the past and more recently in its report on the UNITAR programme and budget estimates for 1991. The Committee reiterated its concern in its report to the General Assembly at its forty-sixth session (A/46/510), and expressed particular concern not only with regard to the advances to UNITAR but also to UNITAR's steadily mounting debt to the United Nations.

15. The Advisory Committee has also expressed its concerns in a letter to the Secretary-General in May 1992, requesting the Secretary-General to submit, inter alia, a report on the future role of UNITAR as requested in General Assembly resolution 46/180 of 19 December 1991.

16. The Board confirmed to the Advisory Committee that, except for advances amounting to $886,000 granted under General Assembly resolution 38/177 of 19 December 1983 and $4,416,152 granted to UNITAR for the purchase of its land, none of the advances made by the United Nations to UNITAR were authorized. The Committee is convinced that the question of the future financing of UNITAR should be addressed on an urgent basis in the context of decisions on the overall future of the Institute.

17. The Advisory Committee, at its spring session in April 1992, reviewed the Secretary-General's report on the internal audit of the United Nations Office of the Coordinator for Humanitarian and Economic Assistance Programmes relating to Afghanistan (UNOCA). At that time, the Committee was not convinced that all of the issues raised by the internal auditors had been adequately addressed by the Administration, and decided that it would revert to the matter in the context of its examination of the relevant report of the Board of Auditors. The Board, while confirming the findings of the internal auditors has, however, not been able to verify whether all of the recommendations of the internal auditors have been implemented. From the information given in paragraphs 99 to 106 of the Board's report, the Committee notes that several problems with regard to improper recording of "in-kind" contributions and cash pledges still exist. The Board informed the Advisory Committee that it was in the process of preparing a management letter on the status of the implementation of the recommendations of the Internal Audit Division. The Advisory Committee expects to be informed of developments in this regard at its spring 1993 session.

18. The Advisory Committee notes the Board's findings in paragraph 105 of its report concerning previously "reported unrecorded pledges of $35 million from some donor countries". The Advisory Committee understands from the contents of paragraph 105 that the Board has concluded that "the large amount of collections received from the same donors in the ensuing biennium strongly indicates that the $35 million pledges were firm". The Advisory Committee, however, calls on the Administration to implement fully the relevant financial rules concerning the proper recording and accounting of pledges whether they be in cash or in kind.

19. The Committee notes from paragraphs 124 and 125 of the Board's report that United Nations administrative instructions were often disregarded in the Office of the United Nations Disaster Relief Coordinator (UNDRO), with the explanation that, as UNDRO had to operate under "exceptional and unforeseeable circumstances", United Nations administrative instructions were not suited for the needs of UNDRO. The Advisory Committee disagrees with this explanation and endorses the Board's recommendations that "if special procedures are considered necessary for UNDRO activities, it should be explicitly established if and to what extent UNDRO may deviate from United Nations rules and regulations and administrative instructions".

20. In paragraphs 145 to 147 of its report, the Board discussed the existing duplication of administrative structures within the International Decade for Natural Disaster Reduction and UNDRO. The Advisory Committee agrees with the

Board that "duplication of unnecessary administrative structures should be avoided". The Advisory Committee is of the view that the new Department of Humanitarian Affairs should address this problem, including the shortcomings mentioned in paragraph 19 above.

21. The Board has highlighted several existing weaknesses and problems in the Centre for Social Development and Humanitarian Affairs in paragraphs 148 to 152 of its report, as well as several other irregularities with regard to the Office of the Special Representative of the Secretary-General for the Promotion of the United Nations Decade of Disabled Persons, as noted in paragraphs 153 to 155 of its report. While endorsing the Board's recommendations in both these areas, the Committee expects that all of the problems identified by the Board will be properly addressed.

22. For reasons described in paragraph 156 of its report, the Board believes that the Human Rights Newsletter, published by the Centre for Human Rights, is "a costly activity of questionable efficacy". The Advisory Committee recommends that the need for its publication should be thoroughly examined in the context of the 1994-1995 programme budget.

23. In paragraphs 162 to 165, the Board reported a violation of financial rules and administrative instructions in the Centre for Human Rights with regard to hiring of staff without valid contracts. The Advisory Committee agrees with the Board that there is no justification for the Centre not to adhere to pertinent United Nations rules. The Advisory Committee believes that the Board's findings are serious enough to warrant immediate follow-up and corrective action by the Administration. The Advisory Committee recommends that the Adminstration should inform the General Assembly, through the Board of Auditors and the Advisory Committee, what corrective measures have been taken.

24. Several irregular practices and lapses in administration of personnel have been identified by the Board in various areas that have been audited. The lapses include the hiring of staff without valid contracts, unnecessary appointments and special leave grants, delay in renewal or conversion of fixed-term appointments, deficiencies in processing of allowances and benefits, improper implementation of the retrenchment exercise, incomplete recording of sick leave, excessive overtime and lapses in the administration of consultants, experts and temporary assistance, as noted in paragraphs 162 to 204 of the report of the Board. Serious lapses in the administration of consultancy services, experts and temporary assistance are also reported in paragraphs 205 to 218, as are deficiencies in the control of travel and related issues. In this connection, the Advisory Committee believes that if, under special circumstances exception to a rule is required, the exception must be fully explained and justified.

25. The Advisory Committee firmly believes that, since personnel costs utilize approximately 75 per cent to 80 per cent of the total budget of the Organization, full implementation of existing control measures must be achieved, including the consistent application of disciplinary measures in accordance with the relevant financial and staff regulations of the Organization.

26. In paragraphs 166 to 168 of its report, the Board highlighted the situation with regard to appointments in the secretariat of the International Decade for Natural Disaster Reduction. The Committee recalls that, in May 1990, when the Committee's approval was being sought for the establishment of a D-2 post in the secretariat of the International Decade for Natural Disaster Reduction, the Committee had requested that it be provided with relevant information as to the size and manner of operation of the secretariat in relation to existing United Nations structures and whether the financing of the secretariat could be sustained relative to the size of the trust fund. While agreeing with the Board's opinion in paragraph 168, the Committee requests that the problem be adequately addressed and rectified. The results of this corrective action should be reported to the General Assembly through the Board.

27. With regard to the deficiencies in the processing of allowances and benefits pointed out by the Board in paragraphs 187 to 192 of its report, the Advisory Committee draws attention to its report to the General Assembly at its forty-second session (A/42/579). Based on the Board's findings the Committee recalls its conclusions at that time that, "although the system of allowances and entitlements is basically sound, with the vast majority of staff members abiding by existing procedures, there has been, over the years, a sense of complacency in the administration of the system that could lead to greater difficulties in future".

28. The Advisory Committee shares the Board's present concerns and believes that greater attention should be given to control and monitoring of the system. The Committee believes that the streamlining of procedures would not only make processing more cost-effective but would also make the relevant procedures easier to implement. In this regard, the Committee trusts that computerization and the IMIS should contribute towards greater overall efficiency. Furthermore, the Advisory Committee draws attention to paragraph 17 (d) of General Assembly resolution 46/183 with regard to effective control on the payment of all allowances and benefits.

29. The distinction between consultants, experts and temporary assistance personnel is an issue which the Board has frequently raised for a number of years. From the Board's findings, as reflected in paragraphs 205 to 218, it appears that various devices, including post facto approval and signing of special service agreements, lack of performance evaluation and excessive payments, have exacerbated the problem. The Committee reiterates its view that outside expertise should be obtained only when similar in-house expertise is lacking.

30. The Board has identified and the Advisory Committee has commented on the use of experts and consultants on several occasions, most notably in its reports to the General Assembly at its forty-first, forty-third and forty-fifth sessions (A/41/632, para. 38; A/43/674, paras. 44 and 57; and A/45/570 and Corr.1, para. 36). Specifically with regard to excessive remuneration granted to consultants by UNDRO (para. 213), the Advisory Committee agrees with the Board's comments that "high quality standards are

expected from all United Nations activities. The scale of remuneration should be coordinated between United Nations organizations to avoid such discrepancies in the future" (para. 214).

31. With regard to irregular practices in the Economic and Social Commission for Western Asia (ESCWA), the Board reported, in paragraph 16 of its report, that there was non-compliance with procedures on the hiring of consultants; "no evidence that the appropriate reports were produced"; and that 18 special service agreements "involved fees above the maximum of $4,000, one attracted a fee of $12,000". The Advisory Committee is of the opinion that in cases where it is not possible to ascertain whether an output was delivered, then payments made for that purpose, could be considered fraudulent. The Advisory Committee requests that these cases be investigated and that the action taken in accordance with the staff regulations be reported to the General Assembly through the Board and the Advisory Committee.

32. Several weaknesses and lapses with regard to travel have been discussed by the Board in paragraphs 219 to 226 of its report. The Advisory Committee endorses the Board's recommendations and agrees that the existing policy must be strictly adhered to.

33. Weaknesses in the management of trust funds have been discussed in paragraphs 99 to 106 of the report of the Board concerning the United Nations (UNOCA); paragraphs 107 to 111 in general; paragraphs 130 to 134 specifically with regard to the United Nations Conference on Trade and Development (UNCTAD); and paragraphs 159 to 161 on programme evaluation and programme support costs with regard to projects in the Economic and Social Commission for Asia and the Pacific (ESCAP). The Advisory Committee has stated its views on UNOCA in paragraphs 17 and 18 above. The Committee notes the Administration's efforts with regard to ESCAP and also notes that the Board intends to review these efforts in future audits.

34. The Board reported in paragraph 107 that, in the case of the United Nations, 20 out of a total of 135 trust funds remained inactive during the biennium and that, of these, 9 have been inactive since January 1988. Others reported no expenditure and pledged contributions for the period under audit. In view of this situation and for other reasons mentioned in paragraphs 108 and 109, the Board recommends immediate review and evaluation for necessary closure or transfer of these funds. The Advisory Committee endorses the Board's recommendations.

35. In paragraph 110 of its report, the Board identified inadequate monitoring of fund balances resulting in allotments in excess of available funds. The Advisory Committee fully endorses the Board's recommendation that expenditures should be incurred when adequate funds are available.

36. From paragraph 131 of the report of the Board, the Advisory Committee notes that administrative procedures established with regard to trust funds are not properly followed by UNCTAD. The Advisory Committee agrees with the Board's recommendations and also notes the Administration's efforts to rectify the situation.

37. In paragraph 227 of its report, the Board stated that in the course of the horizontal audit conducted for expendable and non-expendable property (paras. 254-270), the Board examined the procurement system and procedures at Headquarters and at the Department of Technical Cooperation for Development of the Secretariat field offices. The examination revealed deficiencies in the procurement system, which are discussed in paragraphs 228 to 249 by the Board.

38. The Advisory Committee recalls that, in the past, a large number of weaknesses were also revealed by the Board with regard to procurement of supplies and non-expendable property where bidding for goods and services has become the exception rather than the rule. 13/ The Committee notes, however, that the problem still exists in spite of the Administration's efforts in "exploring the possibility of issuing bids through a computerized system, thereby enabling formal bidding to be used in a greater number of cases without requiring additional resources". 14/ However, the Advisory Committee sees no evidence of improvement in the situation.

39. In fact, in the opinion of the Advisory Committee, the shortcomings in procurement practices have reached such proportions that it requests the Board of Auditors to conduct a special audit of procurement of goods and services in the administrations under its audit jurisdiction. One of the issues the Committee would specifically wish the Board to identify is to what extent bidding has become the exception rather than the rule, and the reasons therefor; practices related to procurement of goods and services under the regular budget, extrabudgetary and under peace-keeping resources, should be audited indicating the extent to which regulations and established rules should be properly applied, modified or abandoned.

40. An area where serious lapses have occurred is related to office supplies, including lack of proper documentation for their receipt. It appears from the Board's report (paras. 246 to 249) and from discussions with the Audit Operations Committee that it could not be said with certainty that all supplies paid for by the United Nations were actually received or consumed by the Organization. The Advisory Committee endorses the Board's recommendations for review and monitoring of the relevant procedures and requests the Administration not only to undertake immediate corrective measures but also to report on the action taken in the context of the 1994-1995 programme budget proposals.

41. In paragraphs 255 to 258 of its report, the Board discussed the definition of non-expendable property. Administrative instruction ST/AI/374 of 16 January 1992 defines items valued at $1,500 or more and with a serviceable life of five years as non-expendable property. The Board states that, by this definition, 99 per cent of quantity of existing non-expendable property (items valued at $500 or more) would be excluded, and therefore recommends that property records and control should still be maintained for items costing less than $1,500, but having a serviceable life of five years or more, such as office furniture, office machines, cameras and television sets. The Advisory Committee endorses the Board's view that effective control and identification for this type of property should be instituted.

42. With regard to non-expendable property, the Board (paras. 259-274) identified deficiencies in the conduct of physical inventory, lack of accountability for property issued to offices/departments, inadequate property records and control. In this connection, the Committee is surprised by the Board's finding that no office in the United Nations has specific responsibility for custody of original documents of title or instruments of ownership of United Nations real property (para. 277). The Advisory Committee endorses the Board's recommendations that steps should be taken to identify and designate an office to be responsible for the custody of all documents of title for real property owned by the United Nations and it notes the Administration's response to address this question.

43. Regarding the Economic Commission for Africa (ECA), the Board reported on a number of subjects. In particular, the Board discussed the deficiencies in ECA Multinational Programming and Operational Centres (MULPOCs) (paras. 139-141). The Board attributed these deficiencies in part to lack of adequate supervision by ECA.

44. The Advisory Committee recalls that, on the recommendation of the Board, it had requested the Administration to evaluate thoroughly the achievements of the MULPOCs with a view to deciding whether they should be continued (A/43/674 and Corr.1). Subsequently, the role and the effectiveness of MULPOCs has been the subject of discussion in several forums. The Committee for Programme and Coordination has emphasized the role of MULPOCs in providing technical support to subregional economic groupings and has stressed the need to strengthen the functioning of MULPOCs and recommended that "in reviewing the resource requirements of the MULPOCs at its forty-sixth session, the General Assembly should fully reflect the recommendations of the Evaluation Report (A/AC.51/1991/3) as well as other reports adopted by it".

45. The Advisory Committee for its part, in its comments in the context of reporting on the proposed programme budget for 1992-1993, stated that "in the process of strengthening and ensuring that MULPOCs function effectively, it would be necessary to clarify further the role of the secretariat of ECA and MULPOCs in programme formulation and implementation" and that every effort should be made to avoid duplication of activities and to clarify further the role of supervising the MULPOCs by the Executive Secretary of the Commission and the committees of intergovernmental experts of the MULPOCs.

46. The Committee requests that the Executive Secretary of ECA undertake the necessary corrective measures as soon as possible to resolve the above problems and to take the Board's findings into account when preparing proposals for the programme budget for 1994-1995.

47. Deficiencies in the programme management of ECA have been discussed by the Board in paragraphs 142 to 144 of its report, while deficiencies in the organizational structure have been reported in paragraphs 178 and 179. Inadequate personnel management in the form of incomplete recording of sick leave and granting of excessive overtime have been reported in paragraphs 197 to 200, while outputs of translation services below standards have been discussed in paragraphs 201 to 204 of the report of the Board.

48. The Advisory Committee expects that all the above issues will be addressed immediately and requests that action taken in this regard be reported in the context of the 1994-1995 programme budget proposals.

49. A major section of the report has been devoted to peace-keeping operations. The Advisory Committee believes that, in view of the growing magnitude of peace-keeping expenditure, the time has come for the Board to consider reporting separately on the financial reports and accounts of peace-keeping operations. Such a change would facilitate consideration by the General Assembly of all financial, administrative and other related issues concerning these operations as well as follow-up action on any of the Board's findings and recommendations. The Advisory Committee recommends that the modalities for submission to the Board and to the General Assembly of separate financial reports and accounts in respect of peace-keeping operations should be worked out by the Administration and the Board. The Advisory Committee should be provided on an urgent basis with proposals on the implementation of this recommendation. The Committee believes that once these modalities have been worked out and the operations are reported on separately, many of the problems with regard to budgetary control and accounting referred to in paragraphs 316 to 325 of the report of the Board should be addressed.

50. For reasons given in paragraphs 312 to 314 of its report, the Board believes that the role, functions and responsibilities of the Field Operations Division should be fully determined based on the current operational requirements. The Advisory Committee agrees with the Board.

51. Many of the weaknesses with regard to procurement and delivery of supplies, recording, reporting and transfer of non-expendable property, which are discussed above, have also been identified with regard to peace-keeping operations (paras. 326-347). The Advisory Committee recommends that the Administration should investigate and rectify the problems identified by the Board.

52. In particular, the Advisory Committee recommends that an appropriate schedule for proper valuation and depreciation of property should be established and procedures pertaining to the schedule should be strictly adhered to. In this connection, the Advisory Committee agrees with the Board's views that an effective basis be established for the determination of the depreciated values of non-expendable property (para. 346) and valuation of contingent-owned equipment (para. 349). In this regard, the Committee draws attention to paragraph 13 of General Assembly resolution 45/258 of 3 May 1991. The Committee is not satisfied with the Administration's response in paragraph 350 of the report of the Board. The Advisory Committee requests that immediate measures be taken to implement the Board's recommendations and that a report be submitted to the General Assembly, through the Advisory Committee, at the earliest date.

53. Cases of fraud and presumptive fraud have been reported by the Board in paragraphs 355 to 368 of its report, as well as in paragraph 126, with regard to an incident of misappropriation of funds in ECA amounting to approximately

$125,000. The Committee notes that, in quite a few cases, efforts towards recovery of misappropriated funds or other losses to the Organization have either been negligible or unsuccessful, due in some cases to the individual having left the jurisdiction of the United Nations. In view of this, the Advisory Committee suggests that the Administration, with the assistance of the Legal Counsel, explore the possibility of establishing a mechanism by which agreements or arrangements between the United Nations and all Member States could be reached. The objective would be to enable the Organization to pursue the prosecution of individuals for embezzlement of funds and to seek redress and recovery of misappropriated funds. The feasibility of recovery from the pension benefits of the individuals concerned should also be explored.

54. One of the areas covered by the horizontal audit of the Board was the evaluation of the internal audit function which, in the United Nations, is carried out by the Internal Audit Division. Some of the areas examined were scope of internal audit and professional resources of the Division, planning and performance, reporting and follow-up and audit functions in the Geneva office. For purposes of reviewing the scope of internal audit, the Board, in paragraph 291 of its report, used responsibility areas identified in the programme budget and determined that audit coverage of the period under review was "not very extensive". In paragraph 292 of its report, the Board also reported that "the present staff complement of the Division is significantly below the expected level of performance and the number of auditors needed to provide adequate audit coverage, considering the nature of audit responsibilities and the scale of United Nations activities".

55. With regard to audit planning, the Board stated that "no long-term plan had been adopted" and that there was "limited staff involvement in the planning process" of audits (paras. 297 and 298). The Board noted that the Internal Audit Division had designed and developed its own Internal Audit Manual and acknowledges this as a significant step in ensuring better guidance in the performance of audit work.

56. With regard to reporting and follow-up of audit findings, the report of the Board called attention to the lack of responses received from auditees and absence of follow-up of evaluation of how audit recommendations were implemented. In this regard, the Board stated in paragraph 302 that "the time lag in the preparation and finalization of audit reports, as well as the absence of follow-up, may be attributed to the existing inadequate professional resources" and what concerned the Board most is "the poor response rate from the Administration".

57. From paragraphs 303 to 310 of the Board's report, the Committee notes that internal audit of Geneva-based organizations is exceptionally poor in comparison with Headquarters. For example, the Board commented that "UNDRO did not receive any audit attention at all", and "many of the shortcomings were due to structural and organizational deficiencies which need to be addressed". The Committee endorses the Board's recommendations for improvement of internal audit coverage at Geneva.

58. The Advisory Committee welcomes the Board's findings and recommendations concerning the internal audit functions. The Committee, convinced that there is an urgent need for strengthening the internal audit system within the United Nations, requests the Secretary-General, taking into account the Board's recommendations, including the need to strengthen professional resources, to reorganize the internal audit function in the United Nations. A report on the action taken should be submitted to the General Assembly.

United Nations Development Programme

59. The Advisory Committee notes from paragraph 6 of the Board's report on UNDP 5/ that, with regard to previous audit recommendations, further efforts are needed concerning the receipt of audited statements and audit opinion from all executing agencies. As stated in paragraph 65, for the biennium ended 31 December 1991, programme expenditure amounting to $297 million out of a total of $1,168 million incurred by United Nations executing agencies were supported by audited statements as of the date of the finalization of the financial statements of UNDP. Although there has been some improvement, the Committee emphasizes that, as stated in paragraph 9 of the Board's report, the proportion of the unaudited expenditure is still too high for the Board to waive the qualification of the audit opinion.

60. The Advisory Committee recalls that it has already submitted observations on this question to the General Assembly. The Committee regrets that little progress has been achieved. The Committee notes the intention of the Administration to continue efforts to have United Nations executing agencies observe the timetable for submitting audited statements and audit opinion and urges the agencies concerned to cooperate fully in this regard (see paras. 106-107 below).

61. Regarding the question of the Standard Basic Executing Agency Agreements, the Board emphasized once again the urgency for all executing agencies within the United Nations system to sign these agreements. As indicated in annex I to the Board's report, the Food and Agriculture Organization of the United Nations (FAO) and the International Labour Organisation (ILO), which alone account for approximately 23 per cent of expenditure spent by executing agencies, had not signed the agreements by the time of the audit. The Committee notes that the Administration expected that all agreements would have been signed by September 1992. It is requested that the General Assembly be informed of the progress in this regard.

62. In the past, the Board has also recommended that the Standard Basic Executing Agency Agreements should require an agency's external auditor to assess the efficiency and effectiveness of the agency's project implementation. As a result of this assessment, and in addition to the official audit report, all pertinent audit findings should be submitted to UNDP and to its external auditor.

63. The Advisory Committee has already endorsed the Board's position. The Committee is of the opinion that the issue relates to the furtherance of the objective of full accountability of the Administrator of UNDP for the resources of the Programme, in accordance with the requirements of General Assembly resolution 2688 (XXV) and the implications that this resolution has regarding audit coverage.

64. The Board's comments in this regard are contained in paragraphs 8 and 9 of annex I of the report of the Board. Once again the Advisory Committee fully endorses the observations of the Board and stresses the need to comply with the Board's request.

65. The Committee notes the position of the Consultative Committee on Administrative Questions (Finance and Budget) (CCAQ (FB)) that, because the matter has not been the subject of a formal recommendation by the Panel of External Auditors, it would be reluctant to pursue the matter further. The Advisory Committee recommends that the Panel of External Auditors should review this question urgently and report to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions.

66. The Board discussed the question of nationally executed programme expenditure in paragraphs 67 to 70 of its report, noting that, as at the end of April 1992, only 21 certified reports had been received out of a total of 1,358 projects. This problem has been the subject of audit observations for a number of years. In this connection, the Advisory Committee, in its report to the General Assembly at its forty-fifth session on the audited accounts of UNDP for the year ended 1989, urged the Administration to address the matter vigorously, "in particular, because of the trend for greater involvement by Governments in project execution" (A/45/570 and Corr.1, para. 28).

67. As stated in paragraph 69 of its current report, the Board is of the view that sufficient audit evidence could be achieved if all project delivery reports were received in due time and if a long-term audit plan were established in agreement with the Board of Auditors that would ensure that each project is audited at least once during its lifetime and major projects are audited more regularly.

68. The Advisory Committee notes that the Administration has agreed with the above recommendation of the Board and "expressed its intention to initiate the necessary steps to establish a long-term audit plan and follow-up on outstanding programme delivery reports" (para. 70). In response to inquiry, the Board informed the Committee that, as mentioned above, the long-term audit plan would provide that each project would be audited at least once during its lifetime; however, except for major projects, projects would not be audited on an annual basis. This, in the opinion of the Board, would result in a better timing of such audits and would be more cost-effective. At the same time, the receipt of all government delivery reports (unaudited) is essential.

69. In paragraphs 98 to 101 of its report, the Board referred to the disproportionate increase in recent years of administrative and programme support costs relative to programme costs. As stated in paragraph 101, the

Board is aware of the factors outlined by the Administration (para. 100), and has previously expressed its concern about the correct delineation of costs. However, it remains of the opinion "that the long-term development in the use of UNDP resources reveals a general trend that calls for close monitoring in future years".

70. In this connection, the Advisory Committee recalls that, as referred to by the Administration in paragraph 100 of the report of the Board, the Administrator's budget for 1994-1995 will be based on further cost reduction and "increased transparency regarding the nature of the services rendered by UNDP field offices to non-UNDP-financed programmes and the associated costs thereof". This strategy was emphasized in the Administrator's report (DP/1992/40) on the revised budget estimates for 1992-1993; in the Advisory Committee's related report (DP/1992/39), the Committee welcomed the Administrator's efforts to reduce administrative costs further and stated its intention to examine, in the context of its review of the 1994-1995 budget estimates, the extent to which he achieves his stated target.

71. Budgetary management in the field offices is discussed in paragraphs 102 to 105 of the Board's report; in paragraph 103, the Board states that "many field offices seem to be unable or unwilling to discharge their responsibilities with the diligence required" and that the performance of field offices in this respect would have to be monitored more closely by Headquarters.

72. The Administration, as stated in paragraph 104 of the report of the Board, is of the view that the measure by which budget authority had been delegated to resident representatives (thereby allowing them more flexibility, while still maintaining the necessary accountability and controls) was yielding positive results, and that "the small amounts in cases of overexpenditure did not indicate a deterioration of budgetary discipline in the field". Notwithstanding that opinion, the Advisory Committee agrees with the Board on the necessity for "close monitoring of the effects of the delegated authority to ensure that mismanagement and possible misuse are detected before serious financial loss to the organization occurs" (para. 105).

73. The Board noted in paragraph 106 of its report the Administration's decision in January 1990 "not to recover amounts of less than US$ 30 owed to UNDP in respect of any travel, shipping or insurance transaction and to charge these amounts directly to the relevant allotment line". The Board further explained that, under the provisions of UNDP financial regulation 14.4, "the writing off of losses of assets may, after full investigation, be authorized, provided that a statement of all such amounts written off shall be submitted to the Board of Auditors with the accounts". However, these cases were not investigated; in addition, no statement could be provided to the Board because these cases of write-offs are no longer recorded.

74. In paragraph 107 of the report of the Board, the Administration stated that it will pursue a revision of the relevant financial regulation. In this connection, the Advisory Committee notes that, by its decision 92/36, the

Governing Council of UNDP amended the regulation to include, in addition to the above-quoted requirement, the provision that from time to time the Administrator may establish an amount below which full investigation and formal write-off are not required. Such amounts shall, for administrative efficiency, be charged directly to the relevant allotment/budget line. Pursuant to this amendment, corresponding rule 114.15 was amended to stipulate that the amount authorized for waiver of investigation and write-off in accordance with the financial regulation is $30.00.

75. Paragraphs 111 to 134 of the report of the Board dealt with various issues related to expendable and non-expendable property; in general, it can be said that a number of serious problems exist regarding the management and use of UNDP property, some of which are mentioned below.

76. With regard to the accountability in cases of loss or damage of property, the Advisory Committee notes that, as stated in paragraph 112 of the report of the Board, the Headquarters Property Survey Board (HPSB) recommends "appropriate measures in cases of theft, loss, damage or disposal of property" to the Assistant Administrator, Bureau for Finance and Administration. However, the Board, after reviewing a number of cases, "found inconsistencies and a lack of clarity in the activities of HPSB that could not be explained" (para. 112); and it has concluded that "the current modalities of decision-making do not ensure adequate accountability" (para. 114). In this connection, the Board, in paragraph 115, stated that UNDP financial rule 103.2 (which, inter alia, states that any official who takes any action contrary to the financial rules ... may be held personally responsible and financially liable for the consequences of such action) "is interpreted generously". In particular, financial liability is limited to cases of gross negligence and claims against third parties for relatively small amounts (not further defined) are not considered worth pursuing.

77. The Board reported in paragraph 116 that the Administration intends to review the policies and procedures governing UNDP property and that the issue of accountability was being reviewed on a priority basis. The Advisory Committee endorses the Board's view that measures have to be taken on a priority basis (para. 116) and, therefore, requests the Administrator to submit a report on the remedial measures to be implemented in this regard.

78. The matter of the physical security of property is addressed by the Board in paragraphs 126 to 130 of its report; as noted in paragraph 130, "a complete security concept needs to be developed and incorporated in an administrative instruction to be circulated to all staff members ...". As discussed in paragraphs 132 to 134, there are also serious deficiencies with respect to control mechanisms for the use of official vehicles; indeed, despite the Administration's assurance that corrective action was being taken in the indicated cases, "the Board considers the use and control of official vehicles in field offices generally insufficient", and stated that a more comprehensive approach is needed. In the opinion of the Advisory Committee, a more comprehensive approach to the question of property management and security in general is needed and it urges the Administrator to implement expeditiously the promised measures.

79. In paragraphs 143 to 161, the Board discussed issues related to consultants, experts and temporary assistance. As stated in paragraph 143, "the Board has, on several occasions, ... dealt with deficiencies related to the engagement of consultants". Despite this, further examples of such irregularities are cited at some length in the Board's current report. For example, as stated in paragraph 144, in the biennium 1990-1991, more than $6.2 million were spent for a category of contracts called special management service contracts (SMSCs); however, SMSCs "are neither covered by the relevant United Nations guidelines ... and the pertaining administrative instructions ... nor do they comply with United Nations staff rules". Consequently, the Board concluded that there is "no legal basis for hiring consultants under such arrangements"; furthermore, "continuously employing consultants who perform staff functions is tantamount to creating new posts and thus interferes with the Governing Council's authority to approve the staffing table" (para. 144).

80. As stated in paragraph 145 of the report of the Board, the Administration's justification for such arrangements was that "UNDP had requirements for which the existing standard contractual instruments had not been found to be adequate". Moreover, "the Governing Council had been made aware of these requirements and had endorsed the approach taken". The Administration also added that it was "seriously engaged in superseding the SMSC arrangement with a sounder contractual format".

81. While acknowledging the need for more adequate contractual devices, the Board, in paragraph 146, emphasized that "compliance with pertinent provisions is not discretionary and that the employment of consultants and other short-term personnel must not lead to by-passing the staffing table". The Advisory Committee is in complete agreement with this position.

82. With regard to the subject of new contractual arrangements, the Advisory Committee recalls that, in his revised budget estimates for the biennium 1992-1993, as contained in document DP/1992/40, the Administrator of UNDP spoke at length of a new form of contract which he proposed to introduce on a pilot basis in 1992. The new form of contract would respond to the need for an intermediate form of employment, that is, for those individuals whose skills are required for at least six months, but not in a continuing career-oriented function.

83. In its related report (DP/1992/39), the Advisory Committee noted that UNDP had consulted with the International Civil Service Commission (ICSC) on the matter; such action conformed with General Assembly resolution 46/191, of 20 December 1991, in section II of which the Assembly invited executive heads to consult the Commission and the United Nations Joint Staff Pension Board before putting proposals relating to staff conditions of service to their respective governing bodies.

84. In this connection, however, the Committee also noted that, in section I of the same resolution, the General Assembly, inter alia, reaffirmed the central role of the Assembly with regard to the elaboration of the conditions of service for the United Nations common system as a whole and that of ICSC as

the independent technical body responsible to the Assembly for the regulation and coordination of the conditions of service of the common system. That being the case, the Advisory Committee was of the view that a decision on the matter should more appropriately be taken by the General Assembly on the recommendation of ICSC, and that discussion should continue at the system level (paras. 19-21).

85. In its decision 92/37, the Governing Council of UNDP, while noting the comments of the Advisory Committee and stressing the importance of common system-wide approaches on personnel entitlement issues, approved on a pilot basis the Administrator's proposals relating to short-term non-permanent contracts and requested him to consult with ICSC and in appropriate inter-agency forums on the implementation of the pilot arrangement. The Council also requested the Administrator to provide an interim report in 1993 and a comprehensive report in 1994 on the experience gained and on his consultations with ICSC.

86. The Board cited other irregularities relating to, inter alia, the duration of contracts of consultants (paras. 150-154), the responsibilities of consultants and performance evaluation (paras. 155-158), specific contractual arrangements for a senior adviser who was engaged for a consecutive period of more than three and a half years (paras. 159-161), and contracts with architectural consultants (paras. 162-166). The examples cited by the Board illustrate, in the opinion of the Advisory Committee, the seriousness of the problem regarding the use of consultants, a problem which, as already mentioned, is not unique to UNDP.

87. The Advisory Committee notes that in the report of the Board the Administration has agreed that "consultants should not be employed by means of various modalities on a long-term basis", and that such practices would be avoided in the future. In addition, "the relevant United Nations provisions would be followed to the extent possible, with any cases of justified exception specifically approved by the Administrator himself and reasons thereof recorded" (para. 151).

88. The Advisory Committee agrees that at times certain exceptions to these rules may be required; however, these must be reasonable and adequately justified. In other words, care must be taken to ensure that an exception does not become an abuse. In this connection, the Committee is in complete agreement with the Board that "there is no basis for employing consultants permanently like staff members, regardless of the reasons for such a measure" (para. 154).

89. The Committee also concurs with the Board's conclusions regarding the specific contractual arrangements for a specific adviser, which are described in paragraphs 159 to 161 of the Board's report. Although the Administration "basically agreed" with the facts as enumerated by the Board, it stated in paragraph 160 that the level of payment and other remuneration was justified "because the adviser was a pre-eminent thinker on global development. His unique qualities certainly would have merited an Assistant Secretary-General

level compensation had there been an appropriate post available. The contractual benefits were in line with this categorization."

90. Notwithstanding the above, the Board "cannot find the contractual arrangements in this case justified from any point of view". In the opinion of the Board, "regularity of actions is vital to the proper functioning of the organization. Consequently, it is indispensable that the correct examples are set at the senior level" (para. 161).

91. The employment of consultants under the development support services (DSS) scheme is discussed in paragraphs 167 to 172 of the report of the Board; in this connection, the Board pointed out areas in which the DSS guidelines should be modified. The Board also pointed out that "approximately 25 per cent of the consultants engaged in 1990 by field offices in Asia and the Pacific, as well as in Latin America and the Caribbean, were not locally recruited" (para. 171), although, as stressed by the Board, "consultants engaged by the field offices are expected to be nationals of the country because the concept aims at utilizing locally available expertise". Such use of local expertise is also a more efficient use of resources; in this connection, the Advisory Committee notes that the average fees paid to "external" consultants were two thirds higher than those of local consultants.

92. The Administration, while agreeing that national capacity should be used to the extent possible, stated in paragraph 172 of the report of the Board that it was not appropriate to set any target percentage. In this connection, the Advisory Committee recalls that, in his proposal for the introduction of development support services, as contained in document DP/1989/55, the Administrator of UNDP stated in paragraph 30 that the consultants to be employed under the scheme would normally be nationals of the country itself, "although recourse might be had to subregional or even interregional expertise on a case by case basis". He went on to say in paragraph 136 of his report that, while international experience and expertise is invaluable to the development process, "there exists in almost all countries a significant reservoir of indigenous knowledge and understanding of national development issues which should be harnessed by UNDP".

93. In its related report (DP/1989/56, para. 97), the Advisory Committee questioned whether the DSS proposal represented the best modality for drawing upon national expertise, and recommended that the matter be examined in inter-agency forums and various options explored before the adoption of any one modality.

94. In view of the Board's findings, the Advisory Committee recommends that the concept and original objective of the DSS scheme be reviewed.

95. Support costs for management services agreements are discussed in paragraphs 180 to 186 of the Board's report. In this connection, the Advisory Committee notes the Board's opinion that, with regard to the general level of fees, "the agency support cost rate and the Administration's own cost estimates provide, if nothing else, at least indicators for the level of costs expected. They both point towards a higher level of costs to be expected than were recovered through fees" (para. 182).

96. The Board found that the calculation procedure is "time consuming, costly and only at first sight correct," and that "the costs for management services should be established on a factual basis, taking into account all activities the Office for Project Services is in charge of" (para. 184). Moreover, despite the Administration's agreement to correct one flaw, as explained in paragraph 185, the Board remained of the view that the "time-consuming procedure is not justified by the results obtained" (para. 186). The Advisory Committee agrees with this statement and requests the Administrator to develop simplified procedures.

97. The question of two-year project budgeting, on which the Board had previously reported, and which, at the request of the Governing Council and the Advisory Committee, has been kept under review during the past biennium, is discussed in paragraphs 187 to 191 of the Board's report. As indicated in paragraph 191, "owing to the lack of verifiable facts and statistical data, the Board has no sound basis for a fair assessment of the effects of the two-year budgeting technique and is, therefore, not in a position to confirm that the related objectives were actually achieved". The Committee was informed that the Board will, however, follow up on the matter. The Committee also notes from paragraph 190 that the Administration will continue to monitor the two-year budgeting scheme; in this connection, the Committee hopes that the Administration will be able to obtain the data necessary for an assessment and evaluation of the two-year budgeting scheme, and submit his findings in due course.

98. The project appraisal and approval procedure in the regional bureaux is dealt with in paragraphs 192 to 199 of the report of the Board; as stated in paragraph 197, the Board recommended that a more efficient and effective appraisal and approval process should be developed. The Board also recommended that the relevant instructions should be revised and that a higher degree of compliance with the remaining instructions should be ensured. As indicated in paragraph 199, the Administration has concurred with the Board's findings and will take the necessary action.

99. As stated in paragraph 200 of the report of the Board, the UNDP Programme and Projects Manual calls for project evaluations under specific circumstances; the Board's findings regarding such evaluation are contained in paragraphs 201 to 209. In this connection, the Advisory Committee notes that, in some cases, evaluation missions are conducted irrespective of the practical benefits to be derived. In the opinion of the Board, in view of the costs involved, the "costs and potential benefits should be weighed in each case before an evaluation is carried out" (para. 201).

100. Although the Administration, as noted in paragraph 202, is not of the view that cost considerations should enter into the decision to exempt a project from evaluation, the Board "urges the Administration to make effective use of this device".

101. The Board also found that, in some cases, the results of evaluations had little practical meaning for the project. Furthermore, at times evaluation

missions were insufficiently prepared (para. 205) or the recommendations were not implemented as appropriate (para. 206). In view of the seriousness of the matter and the fact that, as stressed by the Board in paragraph 209 that "this issue seriously affects the basis of assistance of UNDP to developing countries", the Advisory Committee urges the Administrator to address the above-mentioned problems on an urgent basis.

102. Internal audit is discussed in paragraphs 212 to 225 of the Board's report. The Board, in paragraph 219, recommended that the current distribution of responsibilities in the UNDP Division for Audit and Management Review (DAMR) should be changed, since, owing to the organizational setup, DAMR "gets inevitably involved in activities which are, or should be, the sole responsibility of UNDP management". As stated by the Board, "it is a matter of principle that audit and operational functions be strictly kept separate in order to ensure the independence of the auditor and avoid any potential conflict of interest".

103. The Board also found that the current audit coverage is inadequate and that "remedial action will be necessary to ensure UNDP accountability" (para. 220). This point was acknowledged by the Administration, which stated in paragraph 221 that proposals for cost-effective remedial action had been submitted to the Governing Council.

104. The Board also discussed audit planning in paragraphs 223 to 225 of its report; as indicated therein, the Administration has assured that "with the contemplated expansion of audit coverage, a medium-term plan identifying all auditable activities would be established". The Board also recommended that measures should be taken "to make annual audit planning more transparent and realistic". The Advisory Committee trusts that additional information on the implementation of remedial measures will be included in the Administrator's budget proposals for the biennium 1994-1995.

United Nations Population Fund

105. The Advisory Committee notes from paragraph 42 and 43 of the report of the Board of Auditors on UNFPA 6/ that late submission of financial statements can cause considerable delays and inconvenience in the Board's audit and reporting procedures. The Committee trusts that greater efforts will be made in future to comply with the agreed submission schedule.

106. In paragraphs 44 to 50 of its report, the Board discussed the question of programme expenditure incurred by executing agencies, including United Nations agencies, Governments and non-governmental organizations. Late submission of relevant documentation with regard to executing agencies' audited expenditure has resulted in the Board not being in a position to comment on this expenditure in its audit opinion on UNFPA. From paragraph 47 of the report of the Board, the Committee notes that FAO and the World Bank "have not yet submitted audited statements in time for the final audit of UNFPA" (see paras. 59 and 60 above).

107. The Board of Auditors has identified this problem several times in the past and the Advisory Committee has expressed the hope that the new procedure of biennial audit reporting would address and rectify the situation. However, the Committee believes that the best solution would be for all agencies to comply with the agreed schedule for submission of documentation. The Committee trusts that UNFPA will take urgent corrective measures to rectify the situation.

108. In paragraphs 54 and 55 of its report, the Board discussed the question of contributions pledged by Governments. For reasons mentioned in these paragraphs, the Advisory Committee reiterates its view that the Administration should programme and commit funds only up to the level of pledges received.

109. The Advisory Committee believes that the questions of valuation of accounts in foreign currencies (paras. 56-58), unliquidated obligations (paras. 59-61), and contingent liabilities (paras. 64 and 65) should be resolved in the context of formulating generally accepted accounting principles in the United Nations system (see A/45/570 and Corr.1, para. 10).

110. Lack of adequate documentation with regard to value of non-expendable property is a question of particular concern to the Advisory Committee (paras. 62 and 63). The Committee trusts that appropriate action will be taken to include this information in the financial statements.

111. The Board reported on the ratio of operational costs to total programme expenditure in paragraphs 69 and 70 of its report and showed an increase from 28.8 per cent in 1988 to 33.4 per cent in 1991. The Advisory Committee shares the Board's concerns and recommends that the Administration should pay particular attention to the Board's recommendation in this regard.

112. The subject of expendable and non-expendable property is discussed in paragraphs 71 to 84 of the report of the Board. In paragraphs 72 to 78, the Board identified major weaknesses with regard to property control at field office level, mainly due to "lack of regulations clearly specifying responsibilities, an ambiguous delineation of functions between UNDP and UNFPA, and to insufficient coordination with UNDP with regard to purchasing, accounting and recording of equipment". Furthermore, no mutual agreements existed with recipient Governments clarifying accountability and custodial responsibilities concerning equipment and supplies. At Headquarters, no arrangements exist to verify the status of equipment entrusted to executing Governments. The Board was particularly concerned about the limited capability of UNFPA offices to monitor stocks and to assess and cross-check commodity requirements alleged by Governments.

113. The Advisory Committee notes the Administration's response in paragraph 78 of the report of the Board that the weaknesses will be addressed in the context of the new Policies and Procedures Manual to be issued "in due time" and that field offices were instructed to establish project equipment and inventory lists and to monitor these on an ongoing basis. The Committee recommends that the Board of Auditors keep this issue under review.

114. In paragraphs 77 to 81 of the report of the Board various other weaknesses are identified. For example, existing UNFPA provisions do not specify how to proceed when purchasing and receiving equipment financed by APSS budget funds. The draft of the Policies and Procedures Manual does not include instructions in this regard. The Board recommended that appropriate provisions to address this and other related problems should be established without delay. The Advisory Committee agrees.

115. Paragraphs 85 to 95 of the report of the Board outlined the internal audit situation within UNFPA. The Advisory Committee notes the efforts of the Administration to take remedial action based on the Board's findings. The Committee also notes the Board's comments in paragraph 90 that "audit coverage of headquarters activities was particularly inadequate in view of the considerable expansion of operations". In view of similar weaknesses reported in the past, the Advisory Committee, in the context of reviewing the budgetary proposals of UNFPA, recommended the establishment of an internal audit unit for UNFPA effective 1 January 1992. The Committee was informed during its discussions with the Audit Operations Committee that no appointment in the Internal Audit Unit had yet been made.

116. The Advisory Committee recommends that immediate steps should be taken to establish and enhance the capability of internal audit in UNFPA.

117. Recruitment of consultants is discussed in paragraphs 96 to 98 of the report of the Board. The Advisory Committee is surprised that on the question of infringements of pertinent United Nations provisions in this regard, the Administration took the view that "United Nations provisions were not applicable to UNFPA" (para. 97). The Committee notes, however, that the Administration has issued guidelines for recruitment of international consultants based on UNDP policies and procedures, as well as a similar document for local consultancies. The Committee trusts that the Board will keep this question under review.

118. In paragraph 99 of its report, the Board reported on the practice in UNFPA of engaging consultants to temporarily replace staff members. The Advisory Committee does not accept the explanation of UNFPA that it is following UNDP practice in this regard. The Advisory Committee has commented extensively on this issue in the past and its views on the subject are also reflected in various other sections of its current report.

119. The Advisory Committee agrees with the Board's view in paragraph 102 of its report that the practice of retroactively approving contracts should be discontinued immediately and that "the question of personal liability and recourse should be investigated in cases committing the Fund without due procedure".

120. In paragraph 112 of its report, the Board recalled UNFPA financial regulation 5.2, which states that all trust fund activities have to be fully funded. Debit balances of trust fund accounts as at 31 December 1991 amounted to $597,556 and, in two trust funds, project expenditure exceeded the funds

available. The Advisory Committee endorses the Board's view that UNFPA has to reduce, suspend or terminate project activity "if no funds are received from the respective donor".

121. According to UNFPA multi-bilateral financing provisions, a bilateral agreement between the donor and the recipient Government is a precondition for the agreement between the donor and UNFPA. However, in a sample audit undertaken, the Board could not locate written evidence of agreements between recipient and donor Governments (para. 114). For obvious reasons, the Board considered such agreements in writing to be indispensable. The Advisory Committee agrees and endorses the Board's recommendation that appropriate action, including a review of current UNFPA procedures, should be undertaken.

122. The Advisory Committee agrees with the recommendation of the Board in paragraph 119 of its report that, in view of the sensitive nature of relationships between donor and recipient Governments, and in order to protect UNFPA from unforeseen financial liabilities, future multi-bilateral agreements provide for appropriate means to withdraw from abandoned or "orphaned" projects.

United Nations Children's Fund

123. In paragraphs 29 to 37 of its report on UNICEF, 4/, the Board of Auditors discussed the liquidity position of UNICEF. The projected general resources income of UNICEF for 1992 is estimated at $518 million, while the total general resources convertible cash balance as at 31 December 1991 was $249 million; the general resources convertible cash balance exceeded the 10 per cent level of the projected general resources income of $51.8 million by $197.2 million (para. 32). At the same time, UNICEF payments during the first quarter of the years 1986 to 1991, except in 1988, largely exceeded income during that period.

124. The Adviisory Committee agrees with the Board that the appropriateness of the liquidity requirement of UNICEF is doubtful, given the fact that the excess liquidity is too high, and that UNICEF should reassess its liquidity policy (para. 36). In this connection, the Committee noted in its 1990 report (A/45/570 and Corr.1, para. 47) that it was not fully satisfied with the response of UNICEF to the question of excess liquidity and pointed out that "too high a liquidity ratio may call into question the agency's efficiency in programme delivery". Furthermore, the Committee was of the view that UNICEF should make more efforts to improve programme delivery.

125. The Committee is concerned about the lack of effective management of staff personal accounts referred to in paragraphs 38 to 42 of the report of the Board, in particular improper controls arising from the non-compliance with relevant UNICEF rules and procedures, cumbersome manual recording and lack of coordination. The Committee therefore endorses the Board's recommendation that measures should be taken to automate the processing and control of the staff personal accounts and to "clean up" these accounts which

should show accurate and up-to-date positions supported by adequate documentation.

126. With regard to the reported non-disclosure of value of non-expendable property (paras. 43 to 48), the Committee endorses the Board's recommendation that the value of non-expendable UNICEF property should be disclosed as a note to the financial statements based on the criteria, revised guidelines and procedures set out in document ST/AI/374.

127. As indicated in paragraph 54 of the report of the Board, UNICEF incurred a deficit of $7.0 million on supplementary-funded programmes in the biennium 1990-1991, of which $5.0 million was charged to general resources for lack of donor funding pursuant to Executive Board decision 1988/11. 15/

128. The Advisory Committee shares the Board's concern about the inability of UNICEF to detect and report over-expenditures to donors during the implementation of projects. In this connection, the Committee recalls its recommendation in its 1990 report (A/45/570 and Corr.1, para. 49) that the planning and implementation of programme activity need further improvement so that over-expenditures could be eliminated or kept to a minimum. The Committee concurs with the Board's recommendation in paragraph 59 of its report on UNICEF to improve the flow of financial information from headquarters to field offices and to enhance budgetary control through the expansion of the Global Field Support System, including an automatic "lock-up" facility. The Committee trusts that UNICEF will take effective measures to resolve this matter.

129. With regard to the Board's views on the 6 per cent recovery from supplementary funds (paras. 61 to 67), the Advisory Committee refers to its comments in its recent report on UNICEF structure and format of budget documents (E/ICEF/1992/AB/L.18, paras. 50 to 55). The Committee recalls that the Executive Board of UNICEF approved, in its decision 1992/37 (E/1992/L.28), the expansion of the 6 per cent recovery rate to all supplementary-funded programmes, including emergency programmes. The Committee recommends that UNICEF analyse the appropriateness and scope of its new recovery policy to meet the costs in administrative, personnel and operating costs relating to all supplementary-funded programmes and to make adjustments, if necessary.

130. The Advisory Committee notes the Board's views on reimbursable procurements services (paras. 68 to 73) and recalls its observations in its 1991 report on the revised UNICEF budget estimates for the biennium 1990-1991 and budget estimates for the biennium 1992-1993 (E/ICEF/1991/AB/L.10, para. 17):

> "The Committee expresses its concern that the estimated reimbursable procurement income, after adjustment for interest earned, does not cover the estimated staff costs, resulting in a deficit of $496,000 in the revised 1990-1991 budget and of $198,000 in 1992-1993. The Committee recommends that steps be taken to ensure that the estimated staff costs do not exceed the estimated income from reimbursable procurement."

131. The Committee endorses the Board's view that reimbursable procurement services should be self-sustaining and recommends that proper scrutiny and strict control should be exercised on procurement services to ensure that a deficit does not arise. The Committee concurs with the Board's recommendation in parragraph 72 of its report that staff costs charged to this account should be commensurate with the volume of projected procurement services; moreover, the current handling charges should reflect the actual operational requirements, as recommended by the Board.

132. In paragraphs 81 to 87 of its report, the Board discussed cash advances to Governments. The Committee recalls that in its 1990 report (A/45/570 and Corr.1, para. 46) it expressed its concern about the liquidation of cash advances to Governments and recommended that UNICEF should adhere to the relevant provisions of UNICEF Financial Circular No. 15, without exception, which requires that no further transfer of funds to Governments may be made if a certificate of use of prior financing is outstanding for more than six months. The Committee notes that the continued practice of UNICEF over the last two years was unsatisfactory and the follow-up in this regard was not sufficient. The Committee was also not fully convinced whether the introduction of a new system, which requires Governments to pre-finance some projects to be reimbursed by UNICEF, would be the best solution. The Committee endorses the Board's recommendations in paragraph 86 of its report, in particular that UNICEF should ensure that field offices strictly adhere to the financial regulations and provide yearly estimates of cash advances to Governments.

133. The Committee notes that the analysis of the Board, in paragraph 88 of its report, disclosed that the level of UNICEF programme implementation decreased from 80 per cent in 1990 to 69 per cent in 1991. The Committee trusts that UNICEF will take appropriate measures to increase programme implementation to the previous level.

134. In paragraphs 92 to 96 of its report, the Board discussed the sectoral allocation of programme resources. The Committee is of the view that the allocation of resources to global and country programmes and the proposed realignment is within the purview of the Executive Board of UNICEF and should be addressed within the context of setting up global programmes and country priorities with the proper involvement of the Governments concerned.

135. The Committee notes the Board's views on the payments of salary allowances and other incentives to government employees involved in UNICEF programme activities (paras. 97 to 104). Upon inquiry, the Committee was informed that the Plan of Operation agreements entered into by UNICEF and host countries do not provide for the payment of supplementary benefits to government employees by UNICEF. Considering that this practice appears to be widely spread in UNICEF and other field-oriented operational agencies, such as UNDP, the Office of the United Nations High Commissioner for Refugees (UNHCR) and the World Food Programme (WFP), and the substantial amounts involved, the Committee requests UNICEF to examine carefully the Board's findings and to recommend a coherent and practical policy to the next session of the Executive

Board of UNICEF, through the Advisory Committee, which should be made in consultation with other agencies providing similar payments. In this connection, the Committee endorses the Board's recommendation in paragraph 104 of its report.

136. The Committee notes that the accounts of the World Summit for Children, which took place in September 1990, have not been closed yet with outstanding pledges of $114,287 and an unspent balance of $120,837 (paras. 106 and 107). The Committee trusts that UNICEF is taking steps to close the accounts on the Summit in 1992.

137. The Committee expresses its concern about the finding reported by the Board in paragraphs 109 to 111 of its report that 52 out of 127 field offices failed to submit their annual inventory reconciliation statements to UNICEF headquarters in time and, as a result, the reporting of UNICEF inventory holdings was not achieved prior to the closing of the accounts for the biennium. The Committee further notes that a large quantity of obsolete inventory remained undisposed of for a long time and that the loss of equipment at headquarters through pilferage increased.

138. Moreover, there are a number of irregularities under inventory management in field offices as pointed out in paragraphs 112 and 113 of the report of the Board, in particular the unauthorized use of an office satellite telephone for private purposes in the amount of $20,000, which could not be recovered from the salary of a local staff member. The Committee recommends that UNICEF issue clear instructions on the use of all office equipment and exercise strict control to ensure effective inventory management.

139. The Committee concurs in the Board's view that in emergency operations there is a need for prompt local procurement and constant review of decisions taken to ensure their continuing validity. Furthermore, the Committee endorses the Board's recommendation in paragraph 118 of its report that, in the future, emergency planning should be well coordinated and regularly reviewed to ensure that services are provided in a cost-effective and efficient manner.

140. The Committee was concerned about the Board's finding, in paragraph 125 of its report, that an amount of $136,890 was listed in the final accounts of UNICEF Greeting Card Operation, New York, as at 30 April 1991, payable to four States Members of the United Nations as duties and taxes, contrary to article XVII of the Agreement entitled "Greeting Card and other UNICEF products" (E/ICEF/1991/L.1/Rev.1), which provides that:

> "Any materials imported or exported by UNICEF or by national bodies duly authorized by UNICEF to act on its behalf in connection with the established purposes and objectives of the UNICEF Greeting Card Operation, shall be exempt from all customs duties, prohibitions and restrictions and the sale of such materials for the benefit of UNICEF shall be exempted from all national and local taxes."

The Committee trusts that this matter will be resolved, on the advice of the United Nations Legal Counsel and in consultation with the countries concerned.

141. The Committee has noted the Board's findings and observations in paragraphs 131 to 154 of its report in regard to the internal audit of UNICEF and is of the view that the Internal Audit Work Plan for 1991 was not commensurate with the resources available for this exercise, taking into account that a large number of planned assignments could not be completed. The Committee further notes that a significant number of UNICEF offices, which have not been covered for periods from five to eight years, were not included in the 1991 work plan. The Committee was very concerned that the recruitment of three auditors was considerably delayed in 1991, although the Board recommended the filling of the vacant posts before 1991 (para. 135). The delay prevented the achievement of the projected audit coverage according to the work plan.

142. The Committee expresses its serious concern about the Board's finding, as stated in paragraph 140 of its report, that the examination of the annual report of the Office of Internal Audit on the status of implementation of its recommendations showed "a catalogue of recurring internal control weakness already reported in internal audit reports, which implied that most of the identified weaknesses were not resolved". Furthermore, the Board was of the view that the lapses reported in the internal audit reports generally pertained to non-adherence to established procedures, rather than the lack of effective procedures, which implies that UNICEF does not effectively enforce its own procedures. In this connection, the Committee concurs in the internal audit recommendation which was endorsed by the Board that heads of offices should be held personally and fully accountable for less-than-adequate performance of duties in their areas of authority (para. 141).

143. The Committee was concerned about the Board's finding of 12 cases of fraud and missing office equipment in the biennium 1990-1991, as well as increasing losses of office equipment through pilferage at UNICEF headquarters (para. 158). The Committee notes that UNICEF is taking remedial measures to protect property and trusts that UNICEF will exercise strict control on the use of funds and equipment and hold the staff fully accountable.

144. With regard to UNICEF's follow-up actions to implement the previous recommendations of the Board, as contained in annex I of the report of the Board, the Committee refers to its observations and recommendation in paragraph 142 above, in particular the Board's observation that most of the identified deficiencies were not resolved.

Voluntary funds administered by the United Nations High Commissioner for Refugees

145. Pursuant to paragraph 17 (a) of General Assembly resolution 46/183, the Board of Auditors has reviewed measures taken to implement its prior recommendations in its audit report on UNHCR for the year ended

31 December 1990. 16/ The measures taken by the Administration and the comments of the Board thereon are indicated in annex I to the current report of the Board. 9/

146. The summary of the Board's recommendations for the year 1991 are contained in paragraph 7 (a) to (k) and the summary of its findings in paragraphs 8 to 19 of its report. Part I of the report of the Board relates to UNHCR financial statements (paras. 20 to 35) and part II to management issues (paras. 36 to 82). As regards the liquidity position of UNHCR, contained in annex II of the report of the Board, the Committee notes that contributions to UNHCR reached an unprecedented level of $903.8 million in 1991, compared with $582.9 million in 1990 (para. 26). In this connection, the Committee endorses the Board's recommendation that the projects established in response to emergency situations should be effectively monitored and carefully reviewed to confirm their continuing relevance so that timely action can be taken to terminate those projects whose objectives have been accomplished and sustained (para. 27).

147. The Committee expresses its concern that UNHCR field offices could not keep pace with the recording and reporting of the field office inventory and, as a result, the inventory value of non-expendable property has been understated (paras. 29 to 31). The Committee concurs with the Board's recommendation that there is an urgent need for stringent inventory monitoring as required by the General Assembly in its resolution 46/183 and that timely action should be taken on this question.

148. The Committee notes the Board's finding in paragraph 33 of its report that the reported outstanding pledges and in-kind contributions totalling $164.1 million do not reflect the actual amounts because not all in-kind pledges were processed prior to the finalization of the financial statements in view of the UNHCR policy that pledges of in-kind contributions are recorded as delivered only upon confirmation of receipt by field offices. The Committee concurs in the Board's recommendation (para. 35) that every effort should be made to ensure the timely processing at UNHCR headquarters of all changes in the status of in-kind pledges so that they will be accurately reflected in the year-end accounts; furthermore, the reporting of the receipt of in-kind contributions should be expedited by field offices to facilitate the reimbursement by donors.

149. The Committee expresses its concern that there were a number of financial irregularities in a UNHCR field office, namely a case of mismanagement and misappropriation of funds amounting to $689,359 (paras. 36 to 41). Upon inquiry, the Committee was informed that "the loss through inflation of prices" estimated at $129,231 resulted from the purchase of items which could have been obtained at lower rates on the local market. The Committee recalls that in its last report (A/46/510, para. 18) it endorsed the Board's recommendation that existing organizational arrangements and procedures for the management of cash resources in field offices should be strengthened and personal responsibility for losses re-emphasized. Considering that the investigation in this case took place in October 1991, the Committee concurs

with the Board's recommendation in paragraph 41 of its report that UNHCR should take appropriate and prompt action to recover the losses incurred to the extent possible and to improve the internal budgetary control in field offices, including the placement of qualified staff.

150. In this connection, the Committee was informed that the misappropriated funds have not been recovered so far and the staff members involved had resigned and were living in a third country. The Committee is of the view that every effort should be made to recover the amounts involved and, in other cases, to proceed as recommended in paragraph 53 above.

151. The Committee shares the Board's concern, expressed in paragraphs 43 to 48 of its report, about the unsatisfactory expenditure monitoring and control under programme management; for example, a regional UNHCR office authorized the commencement of a transport contract with a proposed budget of $5.8 million before seeking headquarters approval (para. 43). The Board concluded that the services provided by a contractor were not properly recorded and monitored to ensure the efficient utilization of funds and expressed its concern about the lapses in the administration of project funds. The Committee endorses the Board's recommendation that urgent action needs to be taken to improve financial control in regional and field offices and to re-emphasize the personal responsibility of staff and their financial accountability under the Financial Regulations of the United Nations.

152. As to the acceptance of a contribution by UNHCR with an unfavourable clause, the Committee reiterates the Board's recommendation, contained in paragraph 51 of its report, that UNHCR is obliged to ensure that voluntary contributions are accepted and utilized in accordance with the relevant provisions of the Financial Regulations of the United Nations, the financial rules for voluntary funds, and, where applicable, United Nations Staff Regulations and Staff Rules.

153. The Committee was very concerned that a country delayed the release of UNHCR funds in the amounts of $1.5 million and $1.8 million to implementing agencies for several months and as a result, some non-governmental organizations were forced to suspend non-essential services (para. 53). The Committee endorses the Board's recommendation contained in paragraph 54 of its report that, whenever applicable, UNHCR should enter into a tripartite agreement on project implementation with the host country concerned and non-governmental organizations to ensure the release of funds directly to the agencies involved for timely project implementation. The Committee therefore requests UNHCR to work out acceptable solutions with Governments to the full satisfaction of both and to resolve this outstanding matter effectively. In this connection, the Committee concurs with the Board's view (para. 56) that UNHCR as the funding organization should be able to establish procedures that would strengthen internal controls and improve the quality of its programme.

154. With regard to the delayed closure of projects, the Committee trusts that UNHCR will take appropriate measures to ensure that field offices and implementing partners will in future submit reports in time to enhance

monitoring and implementation of project activities, as recommended by the Board in paragraph 61 of its report. The Committee further recalls its recommendation in its last report (A/46/510, para. 20) that streamlining of reporting procedures would not only make the process more cost-effective, but would also make it easier for implementing partners to comply with.

155. With regard to control of non-expendable property, the Committee endorses the Board's recommendation, contained in paragraph 70 of its report, that disposal of UNHCR property through donation should conform to existing procedures and UNHCR should take appropriate measures that it be carried out within a short period of time to yield reasonable cost-recovery income.

156. As regards UNHCR losses of non-expendable property in crisis situations, the Board recalled its recommendation in its last report 17/ that the responsibility or the intervention of the host Government should be considered and written into the standard agreement with host countries to provide adequate protection for UNHCR property in crisis situations, bearing in mind that the current insurance coverage does not extend to situations of war and civil disturbances (paras. 73 and 75).

157. In this connection, the Committee notes in paragraph 81 of the report of the Board that non-expendable property amounting to $2,754,519 had to be written off during 1991 as a result of disappearance or seizure of non-expendable property due to civil disturbances. The Committee requests that the Board indicate in its next report the losses that could have been prevented through more effective internal control. Furthermore, the Committee shares the Board's concern about the lack of security of UNHCR property, in particular in crisis situations, and recommends that UNHCR consider the Board's proposal to make the successor authorities liable for the payment of reasonable reparations in countries where UNHCR continues its operation or programmes (para. 75). The Committee also recommends that UNHCR maintain adequate and up-to-date control records.

158. The Committee had an exchange of views with the representatives of the High Commissioner at its current session when it reviewed the High Commissioner's report on UNHCR activities for 1991-1992 and 1993 budget estimates. In this connection, the Committee was informed that at present over 55 per cent of UNHCR funds are being disbursed by implementing partners. The representatives of the High Commissioner stated that, in view of the increasing scope and complexity of UNHCR activities, its larger reliance on implementing agencies and more operational role of UNHCR in programme activities, there was an urgent need to strengthen the audit functions through the establishment of a well organized audit unit for UNHCR within the Internal Audit Division (IAD) at Geneva. The Committee was informed that UNHCR looked to IAD for greater coverage of its activities by a separate audit team to cover the short- and long-term needs of UNHCR, taking into account the increasing workload of UNHCR.

159. Considering the large increase in UNHCR activities and programme needs projected at $1,083.8 million for 1992, the complexity of new programmes and

the reliance of UNHCR on implementing partners, as well as the number of reported irregularities, the Advisory Committee requests the Secretary-General and the High Commissioner to implement the Board's recommendations in the manner to be agreed upon between the Secretary-General and the High Commissioner.

United Nations Relief and Works Agency for Palestine Refugees in the Near East

160. In its report on UNRWA, 10/ the Board of Auditors discussed expendable and non-expendable property in paragraphs 82 to 98, and identified a number of deficiencies regarding, inter alia, the recording of equipment, its physical checking, and the survey of surplus and obsolete equipment.

161. The Advisory Committee notes that the Board has made a number of observations concerning the liability for losses and damages to property, noting that "uniform standards and criteria for determining staff members' responsibility and liability are lacking" (para. 92).

162. As stated in paragraph 94 of the report of the Board, the Agency has announced that its Legal Department would define, as recommended by the Board, the terms "negligence", "gross negligence" and "at fault" in order "to determine consistently the degree of responsibility and liability". However, the Agency took the view that "the final decision on staff members' liability should not be made by the Property Survey Board, but by the Agency's officials ultimately responsible". While the Board accepted that field directors might decide on actions to be taken against a liable staff member, it emphasized that the decision should be based on the Property Survey Board's principal assessment of the liability so that a consistent determination of responsibility and liability can be ensured. Accordingly, the Board took the view that the Agency should reconsider its current procedure.

163. Internal audit is addressed in paragraphs 107 to 113 of the report of the Board. The Advisory Committee notes the Board's finding that audit of UNRWA headquarters has been deficient; in paragraph 108 the Board stated that "in order to provide an overall appraisal of the Agency's activities with regard to economy, efficiency and effectiveness, the Internal Audit Office should also cover the offices and departments at headquarters ...". As stated in paragraph 109, the Agency has agreed to implement this recommendation.

164. The continued employment of auditors in line functions is discussed in paragraphs 110 to 113 of the report of the Board; the Advisory Committee agrees with the Board that this practice weakens the audit function and creates the risk of a conflict of interest (para. 111). Despite the Agency's insistence that "its auditors were not used in line function, except under very special circumstances" and that "a total restriction was not considered realistic as it would limit the Agency in the optimal use of its limited staff resources" (para. 112), the Board states that "the extent of the internal auditors' employment in line functions cannot be considered exceptional"

(para. 113). The Advisory Committee concurs with the Board that the use of internal auditors in line functions should be strictly limited to very exceptional cases requiring the prior approval of the Commissioner General.

United Nations Environment Programme

165. From paragraph 6 of the report of the Board of Auditors on the Fund of UNEP, 7/ the Advisory Committee notes that most of the recommendations of the Board have been implemented by the Administration. The Advisory Committee trusts that, in future audits, the Board will follow up on those recommendations which have not yet been implemented.

166. In paragraphs 38 to 41 of its report, the Board discussed the management of trust funds. The Advisory Committee notes the finding of the Board in paragraph 39 that it was "more expensive and less effective to manage separately the individual trust fund accounts than if the accounts were merged". The Advisory Committee also notes from paragraph 41 of the report that the Administration acknowledged the issues raised by the Board and advised that it intends to complete its review of the matter and to formulate specific proposals for submission to the Governing Council of UNEP for consideration. In this connection, the Advisory Committee expects that the proposals will be submitted to it at the same time for its consideration.

167. A weakness was revealed by the Board in paragraphs 53 to 55 of its report with regard to inventory listing. The Advisory Committee endorses the recommendation of the Board in paragraph 54 that all non-expendable property of UNEP, including inventory holdings in regional offices, should be compiled and reflected in a master inventory listing.

United Nations Habitat and Human Settlements Foundation

168. From paragraph 6 of the report of the Board of Auditors on Habitat, 8/ the Advisory Committee notes that "the Administration has effectively implemented all the recommendations made by the Board in its report for the period ended 31 December 1989".

169. The question of overexpenditure on allotments issued in respect of human settlement activities and the administration programme for contractual services is reported on by the Board in paragraph 20 of its report. The Advisory Committee agrees with the recommendation of the Board that "stringent control of this expenditure item through effective monitoring is required".

170. The issue of unliquidated obligations is reported on by the Board in paragraphs 21 to 22 of its report. The Advisory Committee notes that steps have been taken by the Administration to cancel the unliquidated obligations no longer needed (para. 22).

171. In paragraphs 33 to 36 of its report, the Board commented on the manner in which consultants and experts were recruited. The Board noted that, although the organization maintained a roster containing the names of a large number of international consultants, the roster was not used in the engagement of consultants (para. 33). The Advisory Committee trusts that, in the future, the Administration will ensure that only the candidatures of consultants and experts whose names appear in the centralized Habitat roster will be considered.

172. The Advisory Committee observes that there are serious lapses reported by the Board regarding the management of non-expendable property (paras. 37-40). The Committee endorses the recommendation of the Board in paragraph 39 of its report that "to address the concern expressed by the General Assembly in paragraph 17 (c) of its resolution 46/183, ... stringent procedures should be implemented to ensure adequate control of non-expendable property".

173. In paragraphs 41 and 42 of its report, the Board commented on the delays in liquidating travel claims. The Advisory Committee does not accept the Administration's response in paragraph 42 that the delays were due to pressure of work in the Finance Section.

International Trade Centre

174. In the annex to the report of the Board of Auditors on the Centre, 2/ the Board commented on the measures taken by the Centre to implement the recommendations of the Board in its report for the biennium ended 31 December 1989. The Advisory Committee notes that the Board finds that most of the recommendations of the Board have not been implemented. For example, the Board had recommended that a review of all cases where the Centre may deviate from the United Nations regulations, rules and directives should be completed as at the end of the biennium 1990-1991.

175. In this connection, the Advisory Committee recalls that in its report to the forty-sixth session of the General Assembly (A/46/510, para. 26), it had indicated that it would revert to this issue in the context of its examination of the results of the review of the International Trade Centre at its spring 1992 session. The Advisory Committee understands that the results of the review will be issued shortly and the Advisory Committee will report on it separately.

176. With regard to disclosure of termination benefits, mentioned in paragraphs 30 and 31 of the Board's report, the Advisory Committee reiterates its view expressed in paragraph 24 of its own previous report (A/46/510) that this subject should be taken up in the context of ongoing discussions on the standardization of accounting principles.

177. In paragraphs 41 to 45 and 54 of its report, the Board discussed delays in the filling of a number of vacant posts. The Advisory Committee notes the findings of the Board in paragraph 45 of its report that the present situation

weakens the organization considerably and may have negative consequences on the Centre's performance. The Advisory Committee agrees with the recommendation of the Board in paragraphs 45 and 54 that the posts in question should be filled without further delay.

178. The Advisory Committee notes from paragraphs 46 and 47 of the Board's report that, owing to deficiencies in the internal control procedures, non-local short-term staff had been overpaid per diem. It agrees with the recommendation of the Board in paragraph 47 that "relevant procedures should be systematically reviewed in order to eliminate the recurrence of similar events".

179. Paragraphs 48 to 50 of the Board's report related to the treatment of gains and losses on exchange. The Advisory Committee's comments on generally accepted accounting principles are reflected in paragraph 13 above.

180. The Advisory Committee observes that there are serious lapses reported by the Board regarding the utilization of consultants, experts and temporary assistance (paras. 55-72). The Advisory Committee agrees with the view of the Board that the practice of appointing project personnel before funding should be discontinued.

181. In paragraphs 73 to 79 of its report, the Board discussed the problems arising from agreements in which donors insist that the International Trade Centre recruit experts or consultants from their own countries. The Advisory Committee notes that it is the intention of the Centre to try and avoid similar arrangements in the future (para. 79).

182. The Advisory Committee notes that the Board's review of programme management disclosed operational weaknesses in such areas as project design and planning, project duration and cooperation with other United Nations agencies (paras. 80-91). The Committee agrees with the view of the Board that "there is room for improvement in order to provide more effective technical assistance" (para. 80).

183. The Advisory Committee notes that the Board's audit revealed that the procedures for administering trust funds established in Administrative Instructions ST/SGB/188 and ST/AI/285 were being ignored (paras. 92-94). The Advisory Committee welcomes the fact that this issue will be adequately resolved within the review being carried out by the United Nations Secretariat and the Centre to clarify the overall applicability of United Nations administrative instructions.

United Nations University

184. The Advisory Committee expresses its concern with the statement made by the Board of Auditors in paragraph 38 of its report on the United Nations University 3/ that the level of outstanding travel advances more than doubled from $56,841 in 1989 to $141,932 in 1991. The Committee is of the view that

the large increase in travel claims over the last two years is disproportionate to the University's activities and should be investigated. The Committee further believes that the apparent shortage of staff in the Office of Finance and Budgetary Services does not justify the continued delay in dealing with travel claims. In this connection, the Committee refers to its report on the University's proposed programme budget for 1992-1993, in particular that 19 posts were kept vacant during 1990-1991 to meet the shortfall in funding, and that in 1992-1993 the University continues to delay the recruitment of staff to yield further savings. The Committee recommends that the vacant posts in the Office of Finance and Budget Services should be filled without further delay and, if necessary, additional resources should be redeployed from other units until the University is able to cope effectively with the matter.

185. The Committee notes that, in view of the substantial increase of allocations in the biennium 1988-1989 and 1990-1991, there is an urgent need that the University submit adequate information on budget performance during the previous budget cycle in order to enhance budgetary control and improve programme planning and management.

186. In paragraphs 23 to 28 of its report, the Board indicated the University's inadequate compliance with the requirements on contributions. In this connection, the Committee notes that a substantial part of a contribution was invested in banks outside the donor country against the wishes of the donor due to lack of communication between the University and the World Institute for Development Economics Research (UNU/WIDER) and the Investment Management Service (para. 24). The Committee requests the Board to substantiate such deficiencies in its next report.

187. In another case, the Board noted that the unspent balance of a contribution to a special programme of UNU/WIDER was transferred, after completion of the first phase of the research programme, and invested in short-term deposits without the prior written concurrence of the donor. Accordingly, the Board was informed that the matter had been resolved following discussions with the donor (para. 26). The Committee, however, understands that subsequent information suggests that the matter is still ongoing. In this connection, the Committee notes that the University Centre is making efforts to establish a more effective communication system in order to improve the monitoring of investment transactions (para. 28).

United Nations Institute for Training and Research

188. From paragraph 6 of the Board's report on UNITAR, 11/ the Advisory Committee notes that the Administration has implemented or initiated actions to implement several previous recommendations of the Board. The Advisory Committee trusts that, in future audits, the Board will follow up on those recommendations which have not yet been implemented.

189. In paragraphs 28 to 32, the Board reported on advances from the United Nations. The Advisory Committee's comments on this issue are reflected in paragraphs 14 to 16 above.

190. In paragraphs 51 to 57 of its report, the Board disclosed a weakness in the appointment and renewal of contracts of full-time senior fellows. The Advisory Committee endorses the recommendation of the Board in paragraph 55 that criteria should be set for the appointment and extension of contracts of this category of staff members.

Notes

1/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5 (A/47/5), vol. I.

2/ Ibid., vol. II.

3/ Ibid., vol. III.

4/ Ibid., Supplement No. 5B (A/47/5/Add.2).

5/ Ibid., Supplement No. 5A (A/47/5/Add.1).

6/ Ibid., Supplement No. 5G (A/47/5/Add.7).

7/ Ibid., Supplement No. 5F (A/47/5/Add.6).

8/ Ibid., Supplement No. 5H (A/47/5/Add.8).

9/ Ibid., Supplement No. 5E (A/47/5/Add.5).

10/ Ibid., Supplement No. 5C (A/47/5/Add.3).

11/ Ibid., Supplement No. 5D (A/47/5/Add.4).

12/ Ibid., Supplement No. 9 (A/47/9).

13/ Ibid., Forty-fifth Session, Supplement No. 5 (A/45/5), vol. I and Corr.1 and 2, sect II, paras. 140-149.

14/ Ibid., para. 147.

15/ Official Records of the Economic and Social Council, Supplement No. 8 (E/1988/18, E/ICEF/1988/13), sect. IV.

16/ Official Records of the General Assembly, Supplement No. 5E (A/46/5/Add.5), sect. I, para. 7.

17/ Ibid., paras. 106-108.